Value-Based Insurance Design:
Changing the Health Care Cost Discussion from How Much to How Well

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Improving Care and Bending the Cost Curve

- **The past several decades have produced remarkable medical innovations resulting in impressive reductions in morbidity and mortality**
- **Regardless of these advances, cost growth remains the principle focus of health reform discussions**
- **Despite unequivocal evidence of clinical benefit, Americans systematically underuse high-value services across the care spectrum**
- **Attention should turn from *how much* to *how well* we spend our health care dollars**

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Role of Consumer Cost-Sharing in Medical Spending

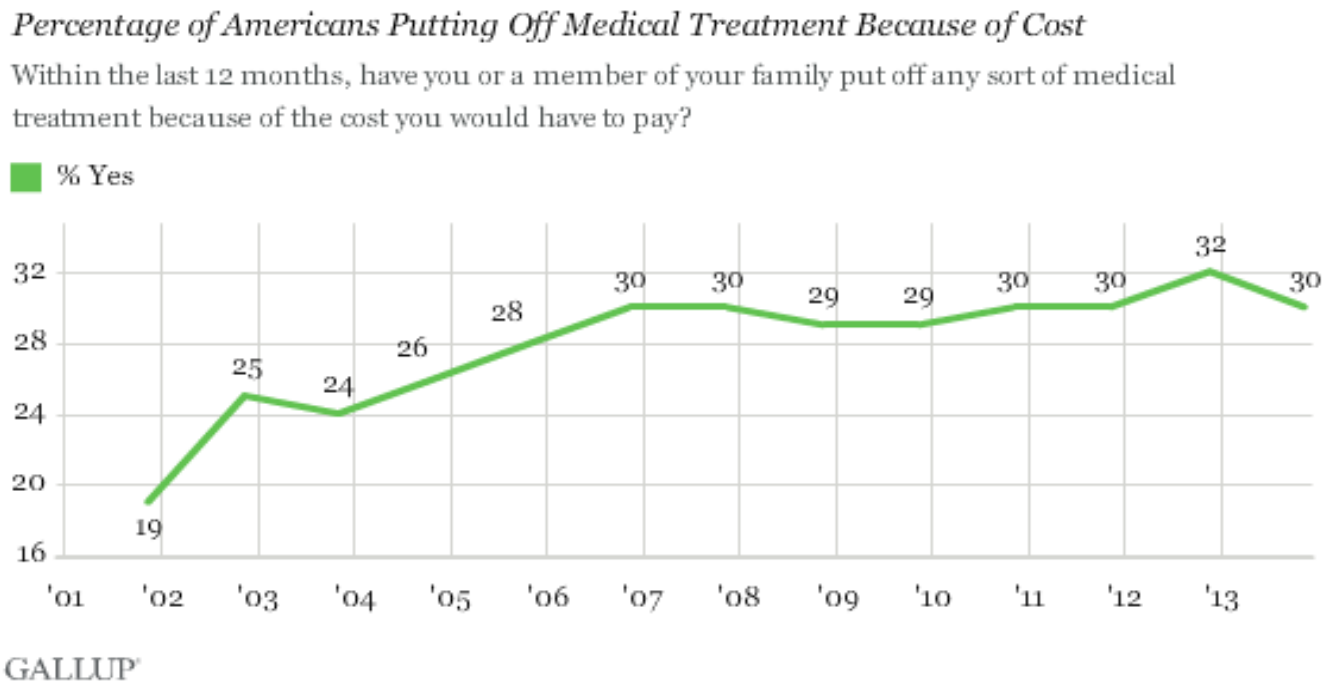
- **For today's discussion, our focus is on costs paid by the consumer, not the employer or insurance company**

Impact of Cost-Sharing on Health Care Utilization

- **Ideally, consumer cost-sharing levels would be set to encourage the clinically appropriate use of health care services**
- **The archaic "one-size-fits-all" approach to consumer cost-sharing fails to acknowledge the differences in clinical value among medical interventions**

Goldman D. *JAMA*. 2007;298(1):61–9.

Impact of Cost-Sharing on Health Care Utilization



A growing body of evidence concludes that increases in cost-sharing leads consumers to reduce the use of essential care, which in some cases, leads to greater overall costs

Goldman D. *JAMA*. 2007;298(1):61–9.

Inspiration

“I can’t believe you had to spend a million dollars to show that if you make people pay more for something, they will buy less of it.”

Barbara Fendrick (my mother)

Effects of Increased Copayments for Ambulatory Visits for Medicare Advantage Beneficiaries

Copays increased:

- **from $7.38 to $14.38 for primary care**
- **from $12.66 to $22.05 for specialty care**
- **remained unchanged at $8.33 and $11.38 in controls**

In the year after copayment increases:

- **19.8 fewer annual outpatient visits per 100 enrollees**
- **2.2 additional hospital admissions per 100 enrollees**
- **Effects worse in low-income individuals and beneficiaries with chronic illness**

Trivedi A. *NEJM*. 2010;362(4):320-8..

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IBM to Drop Co-Pay for Primary-Care Visits

By WILLIAM M. BULKELEY

In an unusual bid to cut health-care costs, International Business Machines Corp. plans to stop requiring $20 co-payments by employees when they visit primary-care physicians.

The company said it believed the move would save costs by encouraging people to go to primary-care doctors faster, in order to get earlier diagnoses that could save on expensive visits to specialists and emergency rooms.

IBM said that the action applies to the 80% of its workers who are enrolled in plans in which the company self-insures—that is, programs in which it pays the health-care benefits, not insurers. The new policy doesn't cover IBM employees in health-maintenance organizations.

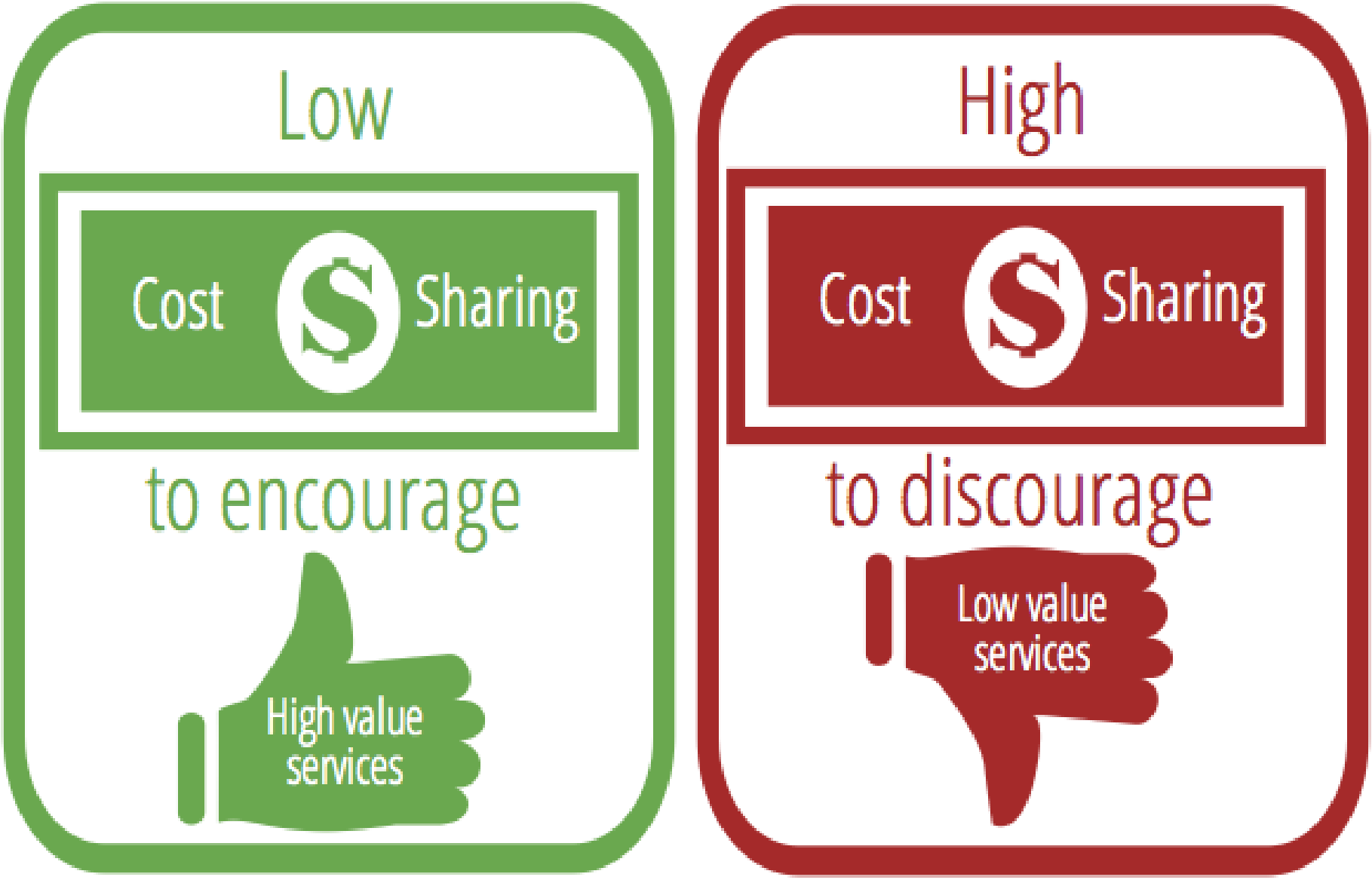
One of the nation's largest employers with 115,000 U.S. workers, IBM spends about $1.3 billion a year on U.S. health care. Its benefit practices are closely watched in the human-resources community, and its actions are sometimes trend-setters.

A New Approach: Clinical Nuance

1. Services differ in clinical benefit produced

2. Clinical benefits from a specific service depend on:

The Solution: Clinically-Nuanced Cost Sharing



Value-Based Insurance Design

- **Sets consumer cost-sharing level on clinical benefit – not acquisition price – of the service**
  - **Reduce or eliminate financial barriers to high-value clinical services**
- **Successfully implemented by hundreds of public and private payers**


WSJ.com THE WALL STREET JOURNAL ONLINE

June 16, 2004

FOLLOW THE MONEY

From 'One Size Fits All' To Tailored Co-Payments

June 16, 2004

University of Michigan researchers say a patient's drug should depend on how much he or she will medication -- a move that would likely lower co

Evidence Supporting Value-Based Insurance Design: Improving Adherence Without Increasing Costs

- **Improved adherence**
- **Lower consumer out-of-pocket costs**
- **No significant increase in total spending**
- **Reduction in health care disparities**

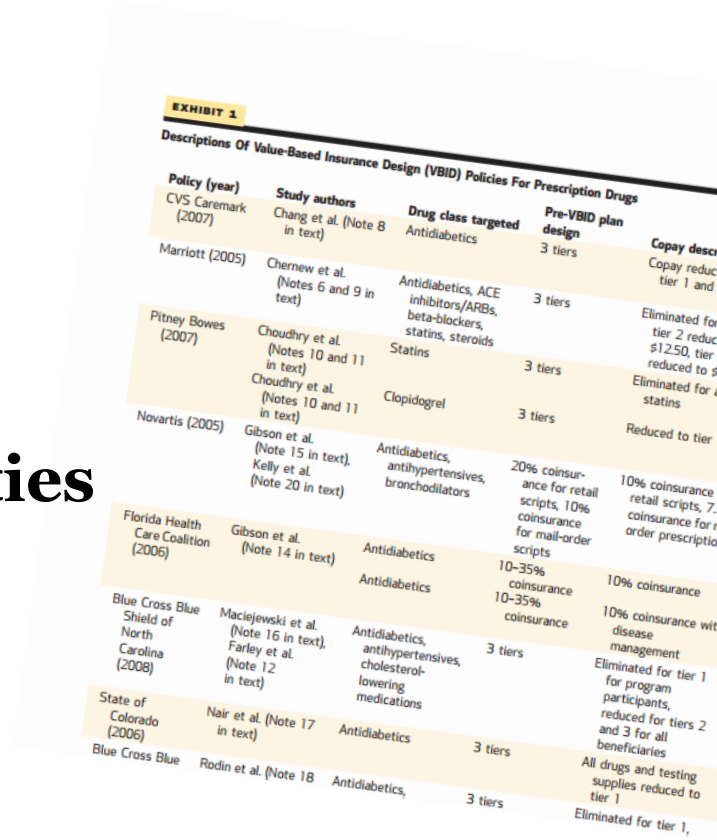


EXHIBIT 1

Descriptions Of Value-Based Insurance Design (VBID) Policies For Prescription Drugs

Policy (year)	Study authors	Drug class targeted	Pre-VBID plan design	Copay desc
CVS Caremark (2007)	Chang et al. (Note 8 in text)	Antidiabetics	3 tiers	Copay reduc tier 1 and
Marriott (2005)	Chernew et al. (Notes 6 and 9 in text)	Antidiabetics, ACE inhibitors/ARBs, beta-blockers, statins, steroids	3 tiers	Eliminated fo tier 2 reduc $12.50, tier reduced to $
Pitney Bowes (2007)	Choudhry et al. (Notes 10 and 11 in text)	Statins	3 tiers	Eliminated for statins
	Choudhry et al. (Notes 10 and 11 in text)	Clopidogrel	3 tiers	Reduced to tier
Novartis (2005)	Gibson et al. (Note 15 in text), Kelly et al. (Note 20 in text)	Antidiabetics, antihypertensives, bronchodilators	20% coinsur-ance for retail scripts, 10% coinsurance for mail-order scripts	10% coinsurance retail scripts, 7 coinsurance for order prescriptio
Florida Health Care Coalition (2006)	Gibson et al. (Note 14 in text)	Antidiabetics	10–35% coinsurance	10% coinsurance
		Antidiabetics	10–35% coinsurance	10% coinsurance wit disease management
Blue Cross Blue Shield of North Carolina (2008)	Maciejewski et al. (Note 16 in text), Farley et al. (Note 12 in text)	Antidiabetics, antihypertensives, cholesterol-lowering medications	3 tiers	Eliminated for tier 1 for program participants, reduced for tiers 2 and 3 for all beneficiaries
State of Colorado (2006)	Nair et al. (Note 17 in text)	Antidiabetics	3 tiers	All drugs and testing supplies reduced to tier 1
Blue Cross Blue	Rodin et al. (Note 18	Antidiabetics,	3 tiers	Eliminated for tier 1,

Lee J. *Health Affairs.*. 2013;32(7):1251-1257

Value-Based Insurance Design
Broad Multi-Stakeholder Support

- HHS
- CBO
- SEIU
- MedPAC
- Brookings Institution
- The Commonwealth Fund
- NBCH
- PCPCC
- PhRMA
- AHIP
- NBCH
- National Governor's Assoc.
- Academy of Actuaries
- Bipartisan Policy Center
- Kaiser Family Foundation
- NBGH
- National Coalition on Health Care
- Urban Institute
- RWJF
- IOM
- US Chamber of Commerce

Lewin. *JAMA.* 2013;310(16):1669-1670

Sec 2713: Selected Preventive Services be Provided without Cost-Sharing

- **Receiving an A or B rating from the United States Preventive Services Taskforce (USPSTF)**
- **Immunizations recommended by the Advisory Committee on Immunization Practices (ACIP)**
- **Preventive care and screenings supported by the Health Resources and Services Administration (HRSA)**

Over 100 million Americans have received expanded coverage of preventive services

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Value-Based Insurance Design Role in State Health Reform

- **State Employees Benefit Plans**
- **State Exchanges**
- **CO-OPs**
- **Medicaid**

V-BID Center *brief*

EVIDENCE, EXAMPLES, AND INSIGHT ON VALUE-BASED INSURANCE DESIGN

V-BID in Action: A Profile of Connecticut's Health Enhancement Program

Value-Based Insurance Design (V-BID)—hailed as a "game changer" by the National Coalition on Health Care— refers to insurance designs that vary consumer cost-sharing to distinguish between high-value and low-value health care services and providers. V-BID entails (1) reducing financial barriers that deter use of evidence-based services and high-performing providers, and (2) imposing disincentives to discourage use of low-value care. Through the incorporation of greater clinical nuance in benefit design, payers, purchasers, taxpayers, and consumers can attain more health for every dollar spent. The University of Michigan Center for V-BID leads in research, development, and advocacy for innovative health benefit plans and payment reform initiatives.

Connecticut Seeks to Improve Health and Contain Costs

The State of Connecticut faced a projected budget gap of $3.8 billion in fiscal year 2012, and state employees were asked to help address the shortfall. The Governor's Office and a coalition of unions representing state employees met throughout 2011 to discuss a wide range of topics, including the health plan covering active and retired state employees. The parties focused health care discussions on possibilities for improving health as a means to control long-term costs. Discussions involving unions, the

The Key Features of HEP

Prior to 2012, Connecticut's state employee health plan did not distinguish between high-value services and low-value services in determining cost-sharing for beneficiaries. HEP is different.

Accountability. HEP rewards state employees, select retirees, and dependents who commit to a number of responsibilities. The "ask" of beneficiaries is as follows:

- Obtain specified age and gender-appropriate health risk assessments, evidence-based screenings, and physical and vision examinations;
- Undergo two dental cleanings per year;[a] and
- Participate in condition-appropriate chronic disease management services.[b]

Specified guideline-based clinical services are required of HEP enrollees with diabetes, high cholesterol, high blood pressure, heart disease, asthma, and chronic obstructive pulmonary disorder (COPD). There are provisions to exempt enrollees with unusual or special circumstances from requirements as appropriate.

Beneficiaries may be disenrolled from HEP if they do not adhere to the requirements outlined above. HEP strives to avoid this

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V-BID in Medicare: Bipartisan Political Support

The Value-Based Insurance Design for Better Care Act of 2014

(Original Signature of Member)

113TH CONGRESS
2D SESSION

H. R. _____

To establish a demonstration program requiring the utilization of Value-Based Insurance Design to demonstrate that reducing the copayments or coinsurance charged to Medicare beneficiaries for selected high-value prescription medications and clinical services can increase their utilization and ultimately improve clinical outcomes and lower health care expenditures.

IN THE HOUSE OF REPRESENTATIVES

Mrs. BLACK (for herself and Mr. BLUMENAUER) introduced the following bill; which was referred to the Committee on _____

The Better Care, Lower Cost Act of 2014

Sponsored by:

U.S. Sen. Ron Wyden, D-Ore.

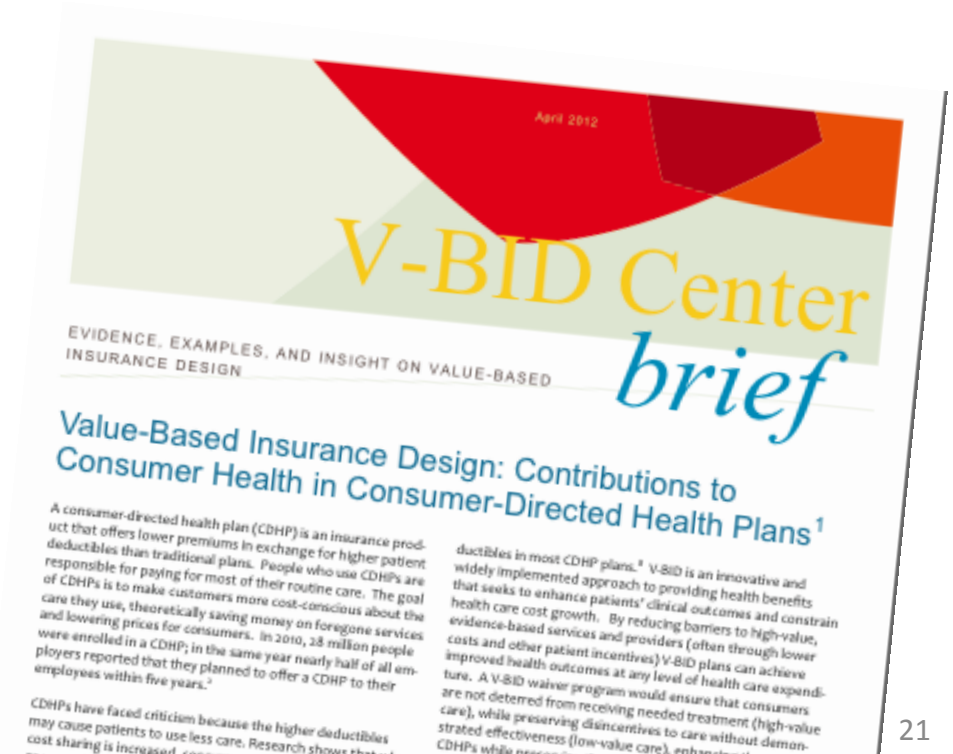
U.S. Sen. Johnny Isakson, R-Ga.

U.S. Rep. Erik Paulsen, R-Minn.

U.S. Rep. Peter Welch, D-Vt.

Value-Based Insurance Design: Key Initiatives

- **Applying V-BID to Specialty Medications**
- **Incorporating V-BID in HSA-qualified HDHPs**



Using Clinical Nuance to Align Payer and Consumer Incentives

Many "supply side" initiatives are restructuring provider incentives:

- **Payment reform**
  - **Global budgets**
  - **Pay-for-performance**
  - **Bundled payments**
  - **Accountable care**
- **Tiered networks**
- **Health information technology**

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Using Clinical Nuance to Align Payer and Consumer Incentives

Unfortunately, "supply-side" initiatives have historically paid little attention to consumer decision-making or the "demand-side" of care-seeking behavior:

- **Benefit design**
- **Shared decision-making**
- **Literacy**

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Improving Care and Bending the Cost Curve

- **The ultimate test of health reform will be whether it improves health and addresses rising costs**
- **V-BID should be part of the solution to enhance the efficiency of health care spending**

The New York Times

Business D

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ECONOMIC VIEW

When a Co-Pay Gets in the Way of Health

By SENDHIL MULLAINATHAN
Published: August 10, 2013

ECONOMISTS specialize in pointing out unpleasant trade-offs — a skill that is on full display in the health care debate.

Enlarge This Image

Minh Uong/The New York Times

We want patients to receive the best care available. We also want consumers to pay less. And we don't want to bankrupt the government or private insurers. Something must give.

The debate centers on how to make these trade-offs, and who gets to make them. The stakes are high, and the choices are at times unseemly. No matter how necessary, putting human suffering into dollars and cents is not attractive work. It's no surprise, then, that the conversation is so heated.

What is a surprise is that amid th

Mullainathan S. When a Co-Pay Gets in the Way of Health. The New York Times. 2013 Aug 10.

Discussion

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